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SECURITY INFORMATION

17 June 1952

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CURRENT INTELLIGENCE DIGEST

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, the TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

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GENERAL

1. Venezuela has not explained motive for break with USSR:
In response to Venezuelan provocations during the preceding week, the USSR on 13 June broke relations with Venezuela charging "hooliganism" and violations of international law. The Soviet note said that Venezuela had been acting under the direction of its "North American masters," a statement which the US Ambassador to Moscow feels should be challenged.

Also on 13 June, and apparently without prior knowledge of the Soviet move, Venezuelan security police began rounding up Communist leaders and closing down front organizations as a preliminary to a late-afternoon announcement that the governing junta had -- independently -- severed relations with the Soviet Union. That morning Security Chief Estrada had indicated to the American Ambassador that he expected the USSR to declare relations at an end, but that if this did not occur, Venezuela would take the initiative. He emphasized that Venezuela is in a "critical" pre-election period, but offered no hint as to how the government would use the affair in its campaign. The American Ambassador is unable to explain why the Venezuelans chose this particular time for the break. (C Caracas 617, 13 June 52; [REDACTED] R Moscow 1998, 14 June 52)

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Comment: The Security Chief's statement that Venezuela would take direct action to end relations if the indirect attempts failed seems to confirm earlier rumors that the provocative incidents were deliberately planned.

Venezuela's earlier willingness to let the USSR initiate the break, and the failure to announce charges against the Soviet Embassy suggest that the government may be unwilling or unable to produce proof of espionage or political meddling at this time.

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EASTERN EUROPE

2. Soviet-inspired housecleaning of Hungarian economy hits coal mines: As a result of an investigation by the Ministry of Mining and Power, ten mine managers and engineers were reprimanded and fined for non-fulfillment of the coal production plan, according to the Hungarian trade union newspaper. (R Budapest 934, 14 June 52)

Comment: Soviet criticism of non-fulfillment of Soviet demands upon the Hungarian economy now has been directed against the bauxite mines, heavy industry, some segments of light steel industry, and accounting methods. No major heads have fallen yet, but it seems likely that important scapegoats must be found.

3. Hungary tightens crop surrender rules: A Hungarian ministerial decree of 8 June ending free market privileges for grain on 30 June is interpreted by the US Legation in Budapest as confirmation of reports of serious crop damage from frosts, and Communist concern over Hungary's ability to meet both domestic consumption needs and commitments abroad.

The Legation estimates damage to the corn crop at 15 to 30 percent. (R Budapest Weeka 24, 13 June 52)

Comment: If the Legation's estimate of crop damage is correct, rationing probably will be reinstituted in Hungary, since deliveries to the USSR would continue at the expense of the Hungarian consumer. Rumors were reported last week that ration tickets were being printed. It is too early to assess damage, however, and the range of the estimate is wide.

The decree itself is not unusual. Doubtless it was intended to curb the much-criticized laxity in crop surrenders and to stop speculation. Six villages recently lost free market privileges for "speculating away" crops that should have been surrendered.

4. Yugoslav official attacks publication of Belgrade article criticizing US policy: American Embassy officials in Belgrade have learned from a reliable source that a representative of the official governmental news organ, Politika, was "soundly berated" by an official of the Yugoslav Foreign Office for

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publishing a prominently displayed article attacking the United States Information Service. The publication of this article was criticized on the grounds that it would be construed as an official view and could do nothing but harm, particularly at a time when the economic aid question is still pending.

Embassy officials believe that this incident offers an interesting commentary on Yugoslav press-State relations during the present transition period between strict and relaxed controls over the press. (C Belgrade 1594, 14 June 52)

Comment: The article in question objected to the circulation of "unfriendly" books by the United States Information Service and other unfriendly acts of a minor nature allegedly committed by Americans in Yugoslavia. Its publication in the important Belgrade daily, Politika, demonstrates the ambiguity of present Yugoslav-Western relations. This results from a concerted attempt by the party to extirpate Western cultural influences without prejudicing relations with the West.

5. Yugoslavia and Bulgaria exchange another series of protest notes: According to Belgrade news organs, Bulgaria has ignored Yugoslavia's latest protest note concerning the alleged violation of Yugoslav extraterritorial rights in Sofia by Bulgarian secret police. Moreover, the Yugoslav Charge in Sofia has asked the dean of the diplomatic corps to make an appropriate representation regarding the rights of Yugoslav personnel in Sofia.

Bulgaria, in return, formally protested against the illegal activities of Yugoslav diplomatic personnel in Sofia. This protest was summarily rejected by Bulgaria. (U Belgrade 1584, 13 June 52)

Comment: The continued exchange of notes alleging hostile acts against each other's diplomatic personnel may portend the breaking of formal relations. It is more likely, however, that these tirades merely represent an attempt to direct domestic frustrations and bitterness outward towards a potential "enemy".

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FAR EAST

6. Kora denies Soviet holding 180,000 Japanese POW's: Mrs. Tomi Kora, Japanese Diet member now in Peiping, has replied to a Yomiuri Shimbun telegram and denied the authenticity of a report credited to her that the USSR is holding 180,000 prisoners of war. She regretted the "false telegram sent by a person with malicious intention."

Yomiuri Shimbun on 17 June claimed the cablegram had been sent under Mrs. Kora's name by "B. B. Tsui" and was received from the Hong Kong telegraph office. (R FBIS Ticker, 16 and 17 June 52)

Comment: The telegram originally credited to Mrs. Kora received considerable publicity in Japan, particularly since the Japanese Government had estimated that only 77,637 of its nationals were still alive in the USSR, China and North Korea. Mrs. Kora's endorsement of the Soviet "peace" campaign is likely to suffer somewhat by this interchange.

7. Rhee continues intimidating Assemblymen: During the National Assembly meeting on 14 June demonstrators outside denounced the Assemblymen through loudspeakers. Generally orderly parades and demonstrations led by Rhee's youth corps members continued all-day. In the mid-afternoon 2,000 demonstrators marched to the Assembly compound under the direction of "hoodlum-type leaders" and listened to hysterical harangues. (S CINCUNC C-50235, 15 June 52)

Comment: Radio Pusan announced on 11 June that President Rhee had received a petition bearing over a million signatures which demanded the dissolution of the Assembly.

Reports have been received which claim that groups purporting to represent local councils plan to seize the Assemblymen representing their local home districts.

8. Increasing anti-US sentiment being expressed by South Koreans: In the course of an ostensible anti-cease-fire meeting of 2,000 to 3,000 persons, the president of the ultra-nationalist Taehan Youth Corps, Ahn Ho-sang, made an emotional extemporaneous speech blaming most of Korea's ills on the United States. He criticized the Panmunjom negotiations, the division of the country at the 38th Parallel, non-repayment of

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ROK "loans" to the US, and American interference in Korea's internal affairs. He concluded by saying that if the United States evacuates its troops while the situation is still unresolved, the "Korean people will fight the UN troops." (C Pusan 1378, 16 June 52)

Comment: Ahn Ho-sang, former ROK Minister of Education, is German-educated and was a great admirer of the Hitler Youth Corps.

Probably some of the increasing anti-Americanism is emanating from Rhee himself. In a recent conversation he accused the US State Department of "corruption" in the present ROK political crisis. Later in the conversation he deplored the appearance of anti-American posters, but claimed they were an expression of the people's sentiments.

9. Ship operators may use British registry as cover for illegal activities: The US State Department has pointed out to the Consul General at Hong Kong that "the British flag may be employed to cover up illegal shipping activities by non-British elements." Of the 36 British-flag vessels trading with Communist China in January and February, seven were known or believed to be beneficially owned by Chinese Communists and ten by Greek cartels. Most of the Greek-owned shipping was reported under charter to the Poles, Czechs or Indians.

The Consul General was requested to investigate and report on the activities of Communist-owned and Greek-owned shipping under British registry, with a view to determining their possible use for transporting contraband to Communist China. (S to Hong Kong A-1105, 13 June 52)

Comment: Merchant ships of British registry make up the majority of Western-flag shipping in the China trade. Although cooperative in applying controls on the export of strategic materials to China, the British have consistently resisted American suggestions that similar controls be applied to shipping. The United States and Panama are the only major maritime countries to prohibit vessels from calling at Chinese Communist ports.

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Peiping allegedly told to be ready for world war before autumn: [redacted] reported to Taipei in late May that in the past month "word has gone

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down the line from Moscow" that Peiping is to be "ready for the outbreak of world conflict before the end of the summer." [REDACTED]

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Comment: Reports of Peiping's expectation of a world war by some definite date are frequently received. No report yet received has permitted a judgment that it has been based on anything more than speculation.

11.

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Bao Dai gambling on early fall of new Vietnamese Government: [REDACTED] Bao Dai, in yielding to French pressure to oust former Premier Huu, deliberately chose Tam as Huu's successor in the hope that Tam would further discredit the French policy of slow evolutionary progress toward Vietnamese independence. Bao Dai hoped thus to pave the way for the formation of a genuine nationalist government.

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25X1C [REDACTED], this tactic may boomerang to the benefit of the Viet Minh and invite military disaster. (S/ [REDACTED])

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Comment: Numerous other reports on the Tam appointment lend plausibility to this view.

SOUTH ASIA

12.

Kashmir makes further gestures toward independence: The Kashmir Constituent Assembly on 12 June 1952 passed a resolution providing for the termination of the hereditary monarchy and adopted a state flag. The Constituent Assembly also decided that the state should have a democratic form of government with an elected head of state. None of the Indian states has its own flag or elects its head of state.

Formal constitutional discussions are now in progress between the Indian Government and a Kashmir delegation. (S New Delhi 4651, Jt Weeka 24, 14 June 52)

Comment: The actions of the Constituent Assembly present more evidence that strong movements toward autonomy exist within Kashmir. The implementation of the resolution would compromise India's position on Kashmir in the United Nations, where negotiations have reached a delicate stage.

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NEAR EAST - AFRICA

13. Iranian oil shipment may be impounded at Aden: The tanker Rosemary, under charter to an Italian company and loaded with 1,000 tons of Iranian crude oil, is disabled and will reportedly put in at Aden on 17 June. According to the Foreign Office official who provided this information, the British plan to impound the cargo which was scheduled for re-refining in Italy and transshipment to a Swiss consignee.

Although the Italian Government has assured Britain that it will not grant an import license for the oil, it has pointed out that delivery at the free port of Naples or Trieste cannot be prevented. (C London 5709, 14 June 52)

Comment: The Rosemary, under Honduran registry, is carrying the first oil to leave Iran since nationalization. This shipment reportedly will be followed by others under a contract negotiated between Iran and an Italian company acting for a Swiss firm.

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WESTERN EUROPE

14. East German Security Ministry given wide new police powers: American officials in Berlin comment that the latest East German security decree, announced 13 June, puts broad new powers into the hands of the Ministry of State Security of the German Democratic Republic and fits in with the present campaign to intimidate both East and West Germans as well as to ensure compliance with restrictive measures.

The decree, in apparently "deliberately confused language," is thought to permit the Security Ministry to execute throughout East Germany the measures which originally applied only to the restricted border area. In effect, it subordinates all police and judicial organs to the Ministry of State Security and allows the Ministry to conduct searches, make arrests, and impose sentences without reference to existing laws. (C Berlin 1503, 14 June 52)

15. French Communist Party forced to temper Moscow line: The French Government's stern reprisals have seemingly alarmed Communist Party leaders and forced them to temper Moscow directives slightly. While the usual "direct-action" line characterized a 12 June protest meeting "to free Duclos," it appeared somewhat modified. Party leaders gave decidedly increased play to workers' economic demands and made conciliatory gestures toward fellow-travelling elements which had recently been rebuked for lukewarm cooperation. (C Paris 7814, 14 June 52)

Comment: In their attempts to recoup Communist prestige, party leaders can be expected to stress labor grievances; but heretofore Moscow's recurrent emphasis on "direct-action" demonstrations has forced the Communists' hand before they could fully exploit their hold on French labor.

16. Two opposition groups join forces in Austria: Negotiations long under way between leaders of the Union of Independents (VdU) and the Action for Political Renewal (Young Front) appear to have resulted in a merger agreement. Although full details are not available, the executive committee is said to be under the chairmanship of VdU leader Kraus, with Young Front chief Strachwitz as deputy chairman. (S USFA Weeka 24, Salzburg, 14 June 52)

Comment: The VdU has been trying for some time to convince

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the People's Party that it would make a better coalition partner than the Socialist Party. Having made little apparent headway in this effort, the VdU sees some advantage in joining with the Young Front, which was expelled from the People's Party last year. The VdU would hope to swing People's Party members over to the new combination.

17. Austrian official appreciative of favorable Soviet action: Austrian Deputy Minister of Interior Ferdinand Graf has praised the Soviet occupation authorities for three recent actions, which, he said, would do more to bring about Austro-Soviet understanding than all Communist propaganda.

The actions he endorsed were (1) the decision to stop deporting Austrians sentenced by the Russians and to allow these people to serve their sentences in Austria; (2) the return of ten former Austrian POW's from Russia; and (3) the freeing of Austrian shipping on the Danube from Linz to Vienna. (R FBIS-Reuters, London, 15 June 52)

Comment: Graf's semi-sarcastic comment reflects the infrequency of Soviet actions pleasing to Austria. The actions cited do not seem to be part of a new and general conciliatory policy.

18. Little change in composition of Dutch Parliament expected: Recent opinion polls in the Netherlands indicate that the 25-26 June national elections will result in little change in the present composition of the Parliament. On the basis of these polls, the Communist Party may lose two of its present eight seats in the Lower Chamber, but all other parties are expected to maintain at least their present representation. There are no strong issues dividing the parties, and domestic issues such as housing, taxes and cost of living are dominant in the lukewarm political campaigns.

The United States elections and speculation on the composition of the next Dutch Cabinet are arousing greater interest than the forthcoming elections. Although such current Cabinet personalities as Foreign Minister Stikker are not expected to participate in the next Cabinet, no significant changes in the policies of the new government are anticipated. (R The Hague 1339, 13 June 52)

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19. De Gasperi reportedly discussing alliance with Monarchists for national elections: Shortly after the recent municipal elections, Premier de Gasperi reportedly discussed with Monarchist leader Lauro the possibility of an alliance between the Christian Democrats and the Monarchists for the national elections in 1953.

Lauro allegedly agreed that his party would support the Christian Democrats provided De Gasperi would "actively aid the Monarchists with government support and funds in those areas now under Monarchist control." De Gasperi's reply is not known.

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Comment: This report is another indication of the strong pressures on De Gasperi to move his party still farther to the right, despite the opposition of the democratic parties whose support he needs in any event. His attempts to split the Monarchists from the neo-Fascists before the local elections in May suggest that he may make similar attempts before the national elections.

20. Nenni Socialists allegedly will keep appearance of independence from Communists through 1953 Italian elections: Pietro Nenni, leader of the Italian Socialist Party, has agreed to continue until after the 1953 parliamentary elections the recently adopted tactic of appearing to be politically independent from the Communist Party.

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Nenni's recent intimations that he is willing to enter De Gasperi's government on specified conditions were reportedly made as the result of pressure from certain elements within the Socialist Party who, although they still support a Socialist-Communist coalition, believe that a display of political independence will attract a larger following to Nenni's party. Nenni is said to have objected to this plan at first, but eventually to have become convinced of its merits.

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Comment: Whether Nenni intends to make a real break with the Communists cannot be determined. Nenni has stated that if the system of proportional representation is retained in the 1953 parliamentary elections, he will enter a separate list from that of the Communists. If the national elections are conducted on the basis of the "plurality" system that was used in the recent municipal elections, however, Nenni's party will probably continue its alliance with the Communists.

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21. Italy shortly to publicize trade controls: The Italian Minister of Foreign Trade intends to inform the Parliament in general terms this week of Italy's trade controls against the Orbit. The government believes that "secrecy" should be lifted from this program to counteract the propaganda resulting from the Moscow Economic Conference. The American Embassy points out that a year ago Italy was unwilling to make such an announcement because it feared political repercussions. (S Rome Joint Weeka 24, 13 June 52)

Comment: Italy wants to be the first country to publicize COCOM controls. The government will be in a better tactical position to defend such a program if it makes such an announcement itself and indicates that such controls affect only a small part of trade with the Orbit.

Despite these controls, some embargoed items continue to slip through to the Orbit. The American Embassy in Rome has relayed a report that approximately 570,000 dollars' worth of rolling mill equipment and spares out of an 800,000-dollar order may have been shipped to Poland. If this report is true, it would mean that Polish steel capacity for finished steel products would be substantially increased. This order was one of the most important Italian commitments to the Orbit for which Italy had made application for exception under the Battle Act.

22. Swiss military mission prepares for US visit: An exchange of notes between the United States and Switzerland has prepared the way for a Swiss military purchasing mission to visit the United States to procure equipment for the Swiss rearmament program.

The Swiss have agreed to comply with the requirements of the Mutual Defense Assistance Act in obtaining such equipment. However, the fact that Switzerland has given such assurances and the fact that it will purchase such equipment from the US Government will not be made public. (S to Bern 1721, 13 June 52)

Comment: The Swiss probably hope to purchase eventually sufficient equipment from the United States to overcome their rearmament deficiencies. Swiss lack of mechanized equipment, which they can obtain only abroad, is the greatest obstacle to the fulfillment of their rearmament program. Swiss agreement to abide by the terms required by the United States of countries obtaining such military equipment is another of several measures recently taken by the Swiss which will assist the United States in the East-West struggle.

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LATIN AMERICA

23. Colombian Congress called into special session: Acting President Urdaneta has called a special session of the Colombian Congress to meet from 23 June to 12 July. Although not included in the preliminary agenda, the chief topic reportedly will be the presidential succession.

Conservative Party spokesmen have indicated that the administration does not consider itself obligated under the present state of siege to convoke the regular session of Congress scheduled for 20 July, and this may be postponed indefinitely. (R Bogota 787, 14 June 52)

Comment: The only Congressional session since November 1949 was that of the present all-Conservative Congress from 30 October to 31 December 1951, by which Urdaneta was elected President designate.

Until now the government has appeared to fear a test of strength with the powerful Alzatista opposition, particularly on the question of Urdaneta's right to remain in office after 7 August. If the forces of Alzate prove superior, the administration may retain power only by President Gomez' temporary return to office, which does not seem likely in view of his serious illness.

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WESTERN EUROPE

1. Austrian Foreign Minister Gruber to visit Tito this week:
Austrian Foreign Minister Gruber has informed the US Embassy in Vienna that his plan to visit Tito is now definite, and that he expects to leave Vienna on 19 or 20 June. He hopes to mollify the "still unhappy" Italians by mentioning in a communique that he has informed the four occupation powers and Italy of his prospective trip. (S S/S Vienna 3902, 13 June 52)

Comment: Gruber has stated that the trip was suggested by the British, whom the Italians suspect of favoring a solution of the Trieste problem favorable to Yugoslavia. The announced purpose of the Tito-Gruber talks is the improvement of relations between Austria and Yugoslavia.

LATIN AMERICA

2. Argentine propaganda charges that the US banned Evita's book produce anti-US reaction: Even "thoughtful people" are beginning to believe current Argentine propaganda alleging that the United States has banned Senora de Peron's "The Reason for My Life," and the campaign has produced very unfavorable reactions to the United States. The Argentine-sponsored news agency, Agencia Latina, has carried reports from La Paz, Rio de Janeiro, and Panama expressing incomprehension of the US attitude, and adverse resolutions are being passed by numerous academic, press, and labor organizations. (C S/S Buenos Aires 641, 13 June 52)

Comment: Argentina has continued to propagandize these charges despite the United States denial, which was printed by only two Buenos Aires newspapers, both English-language. The charges offer a new point of departure for Argentina's anti-US

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campaign.

On 12 June feminine Peronista members of Congress introduced a bill proposing that 100,000 copies of Evita's book, in English, be distributed free of charge to US labor, and that the United States be denounced before "all parliaments of the world" for this "unusual offense committed surreptitiously by capitalistic imperialism."

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